

Issues of Merit

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Director's Perspective

Performance Appraisals Are Not Performance Management

Mention performance management to a group of federal employees and you're likely to become embroiled in a debate on the pros and cons of their organizations' annual performance appraisal systems. Further, you're likely to hear many more negatives than positives. The federal government is not unique in this regard. A 1995 study of private sector companies found that more than half the companies surveyed were dissatisfied with their performance appraisal systems, which they found added little value to their organizations. What is often overlooked in these discussions, however, is that performance management consists of much more than performance appraisals.

An organization's performance appraisal system is simply one tool that is supposed to—but frequently does not—help managers and organizations better achieve organizational objectives. Consider, for example, that in the latest MSPB Merit Principles Survey of federal employees, only one out of every five employees indicated that the performance appraisal system motivates them to do a better job. Similarly, only 20 percent believe that the performance appraisal system helps increase job-related communications between them and their supervisors. Finally, only 22 percent of employees believe their supervisors deal effectively with performance problems.

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OPE Focus on the Facts

Belief:

The Department of Defense lost a higher percentage of its civilian workforce than any other federal agency during the downsizing of the 1990s.

Fact:

Among executive branch agencies with over 2000 employees, the Defense Department placed out of the top five in percentage of workforce lost between January 1993 and December 2000. The agencies with the highest level of downsizing were the Broadcast Board of Governors (71 percent); FDIC (69.8 percent); AID (44.8 percent); OPM (43.2 percent); and GSA (31.8 percent). DoD lost 30.3 percent of its staff during those years.

Source: OPM Monthly Report of Federal Civilian Employment, March 2, 2001

Who Gets Selected for Federal Jobs?

Information we obtained for our recent study of the federal merit promotion process provides an important perspective concerning who gets selected to fill vacancies in the government and also presents a few surprises. As might be expected, many selections (46 percent) were of individuals who already worked for the supervisor's organization. However, what was somewhat surprising was that the next largest source of hiring was not candidates from other federal agencies, but applicants from outside the government. Twenty-nine percent of the selections our supervisors reported they had made were new hires to the government. The remaining 25 percent were applicants from other federal organizations. (The figure on page 3 shows the sources of the selections our supervisors made during the 2-year survey period.)

When we reviewed data from OPM's Central Personnel Data File we found, not surprisingly, that the selections that supervisors reported having made from outside the government were not evenly distributed by grade level. Most of

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There is a long history in the federal government of searching for the perfect (or at least a better) performance appraisal system. The last major reform of the civil service system in 1978 was motivated, in large part, by dissatisfaction with our inability to distinguish the good performers from the not-so-good. The Civil Service Reform Act of 1978 was going to change that by establishing a rigorous performance appraisal system focused on critical job elements and carefully developed standards of performance. CSRA also aimed to motivate and reward excellence through a pay for performance system and to sanction poor performance by making it easier to take performance-based adverse actions. Yet, after 22 years and much effort, there is little to suggest that the hoped-for benefits have been achieved.

Perhaps the problem is *not* that the federal government has spent too little time on its performance appraisal systems but rather that we need to devote more time to the other aspects of performance management. We know that most organizations that still use a five-level performance appraisal system achieve the statistically impossible each year: the majority of their employees (more than 80 percent in some organizations) are rated above average. This situation certainly bespeaks rating inflation, but is this the real problem or merely a symptom of a larger problem? Would imposing a bell

curve rating distribution, with most employees rated satisfactory, lead to better-performing organizations? As many managers have learned the hard way, an attempt to do that can cause more harm than good as the real bottom-line—effective and efficient mission accomplishment—gets lost amid seemingly endless and sometimes bitter debates over who receives one of the limited number of higher ratings and who is (merely) average.

Apparently a number of federal agencies have reached the same conclusion. In 1995 the Office of Personnel Management revised the regulations governing performance appraisal systems and allowed agencies to adopt a two-level (frequently referred to as a “pass-fail”) system. Every year since then, the percentage of federal employees covered by a two-level performance appraisal system has increased so that by CY 2000, more than one out of every four federal employees was rated under a pass-fail system. As noted in our April 1999 “Issues of Merit,” such systems can achieve good results. I suspect, however, that some agencies have adopted a two-level system simply to avoid the negatives associated with making and justifying distinctions between average and above-average performance. Unfortunately, a two-level appraisal system is not a panacea because if that is all that an organization does in the name of performance management, it will have done very little.

The point of all this is not to tout the advantages of one performance appraisal system over another. In fact, one of the few constructive

lessons we have learned in this area is that one size does *not* fit all. Rather, the information that MSPB has gathered over the years suggests that while agencies should certainly attempt to get all they can out of their performance appraisal systems, there is probably more benefit to be gained by paying attention to the other elements of good performance management. For example:

- Clearly define what an organization is to accomplish, and develop a real understanding of what each worker contributes to reaching these objectives. (See GPRA article, page 4)
- Ensure that employees and customers are well aware of and buy into the organization's goals and measures.
- Identify and obtain the necessary resources, establish realistic individual or team accountability, and provide frequent feedback on results. (See article, page 5)
- Select and develop good supervisors and managers. (Effective managers can make even a mediocre appraisal system work and poor managers can wreak havoc with the best of systems.)

In short, federal performance appraisal systems are only one element of—and never a substitute for—good performance management. We should be careful not to confuse the two.

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Selections *(continued from page 1)*

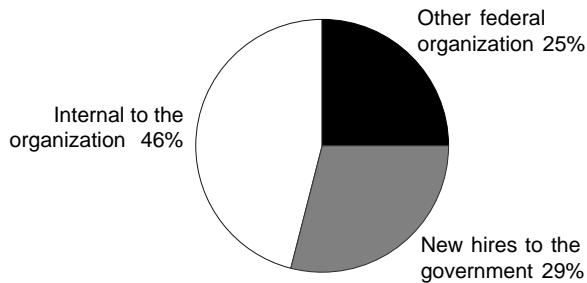
the people hired from outside the government entered at the GS-9 level or below. In fact, even though new hires to the government accounted for about 29 percent of the persons selected to

fill vacancies between 1998 and 2000, they made up only about 16 percent of the selections at the GS-11 and above levels.

Based on all of this information it is clear that when supervisors make

selections for non-entry-level jobs they much more often select someone who already works for the government than someone from outside. More importantly, they more often select someone from
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Sources of Selections



Source: U.S. Merit Systems Protection Board, Merit Promotion Survey 2000

within their own organization than someone from a different federal organization. It is perhaps these preferences that at least partially explain the perception of 76 percent of the employees responding to our merit promotion survey who said they had not been selected for at least one promotion because the selecting official had had someone else in mind. In fact, supervisors told us in response to one of our survey items that for the vacancies announced in their organizations during the preceding 2 years, 54 percent of the time they had already identified one of their own employees whom they thought they would probably promote into the vacancy.

In our view, the fact that supervisors often have someone in mind for their vacancies does not necessarily constitute what is commonly referred to as “preselection.” Preselection occurs when a supervisor selects someone to fill a vacancy and misuses the staffing process to rubber stamp rather than inform the selection decision. Having someone in mind for a position is not preselection if the supervisor gives fair consideration to other candidates and bases the final decision on meritorious factors. Even when supervisors initially have someone else in mind for the job, many do consider other applicants. In fact, according to our survey 20 percent of the time supervisors ended up selecting someone other than the person

they initially had in mind.

These findings are based on a sizable number of supervisors who actually made selections during the 2 years preceding our merit promotion survey. Some 69 percent of the supervisors responding to the survey reported having made at least

one selection for a vacancy in their organization during the preceding 2 years, and most of those supervisors had the opportunity to make multiple selections. In fact, the supervisors we surveyed had made an average of 4.5 selections during the survey time period.

When Fighting the War for Talent, Don't Shoot Yourself in the Foot

The selection interview is a familiar feature of the employment landscape. So familiar, in fact, that it often is treated with a nonchalance that belies—and often destroys—its value as an assessment tool. The popular press provides a steady stream of interview questions and techniques designed to “get behind” a sophisticated applicant’s polished surface and calculated answers, and reveal the applicant’s true nature. One approach uses unexpected questions, arguing that such questions help predict job success in today’s dynamic and unpredictable workplace. For example, the following question has been used to assess the applicant’s creativity:

You are in solitary confinement. It is Friday afternoon and you absolutely must have a cigarette. The only person who can give you one is the guard outside your cell. What do you do?

Another approach uses the interview setting, in addition to the questions themselves, to see whether job candidates have “the right stuff”:

[A former federal executive] would offer interviewees a chair from which he had sawed several inches off one or two of the legs.... [The interviewees] had to maintain their wits about them as they answered questions while sliding off the chair.

We recognize that creativity and stress tolerance are important in many federal jobs. However, we believe that tactics like these are neither appropriate nor effective ways to assess potential employees, and certainly have not been shown to be an effective selection tool. These practices also reflect badly on the organizations that use them. Consequently, they are not only poor assessment—they also are poor recruiting. Many job applicants will recognize and resent these tactics. The unintended outcome, in an increasingly competitive labor market, may be to narrow the candidate pool to the desperate or downtrodden.

There is a better way to evaluate candidates, and project a professional image. That way is the structured interview, which features:

- a uniform set of questions based on job analysis;
- trained interviewers;
- detailed rating scales;
- documentation; and
- rigorous, objective assessment of candidate responses.

As this brief description suggests, structured interviews are more science than art. As such, structured interviews can be used by any organization that invests the necessary time, training, and resources. MSPB is currently examining the role of interviews in the selection process, the business
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case for structured interviews, and the concept of the structured interview. We will share what we learn about these topics in a report to be published later this year.

Note: the source of the sample interview question and tactics described above is the article "Games Interviewers Play" by Martha Frase-Blunt, which appeared in the January 2000 issue of HR Magazine published by the Society for Human Resource Management, www.shrm.org.

Who Gets Paid to Stay?

Last year, the federal government paid over 3000 employees an average of more than \$8,000 (in addition to their regular salaries) to remain on the job, according to data collected by the Office of Personnel Management. Employees involved in aircraft operations, such as pilots, led the way in receiving retention allowances in 2000. Ten percent of all retention allowances paid that year went to these employees, up from 5 percent in 1998. Six of the top 10 occupations whose workers received retention allowances were in the medical and health care fields: pharmacists, nurses, physicians, diagnostic radiology technicians, physician's assistants, and practical nurses. These six occupations accounted for almost a third of all retention allowances paid in 2000. A mere 8 percent of retention allowances paid that year went to computer specialists, a steep drop from their 47 percent share in 1998 at the height of the race for Y2K compliance. The other occupations in the top 10 receiving retention allowances were police officers and financial institution examiners. All told, workers in these top 10 occupations (whose talents the private sector also seeks), received 61 percent of all of the retention allowances paid in 2000.

Since 1992, the Department of the Army has led the way in using

the retention allowance authority to help persuade employees with needed skills to stay. In 2000, the Army paid 1,004 civilian employees to remain in their jobs (up from 523 in 1998). The Department of Veterans Affairs was in second place with 784 employees receiving retention allowances (up from 76 in 1998). Rounding out the top five agencies that paid people to stay were the Treasury Department with 612 employees, Air Force with 420, and other Defense organizations with 330.

The authority to pay retention allowances was established by the 1990 Federal Employees Pay Comparability Act. This authority allows agencies to pay certain employees up to 25 percent of base pay to remain in their jobs. Eligibility is based on how badly the employee's skills are needed and whether they have any other job offers.

This authority was rarely used until 1994 when the number of employees receiving the allowance almost doubled—from 191 in 1993 to 354 in 1994. Since then, the number has grown considerably, peaking in fiscal year 1999 at 3,925 employees. In 2000 the number dropped back to 3,295.

The use of the authority has varied widely among agencies. Many agencies have not used it since it took effect a decade ago. For instance, only 8 agencies used the authority in 1992; that number rose eventually to 35 in 2000, but that's still only a fraction of the more than 100 departments and agencies that have the authority to pay retention bonuses. The use of retention allowance authority depends on many factors, such as agency budget and culture, the need to retain special talents, and even the agency's familiarity with the authority. With the looming retirement of many senior employees—many of whom possess special skills—and the government's need to retain younger workers who are technologically savvy, we expect the

need to use this authority will continue to grow. Whether agency budgets and culture will be able to accommodate this need remains to be seen.

Are Employees Getting the Word About GPRA?

The 1993 Government Performance and Results Act (GPRA) was enacted to promote a more results-oriented approach to management in federal departments and agencies. Specifically the law requires that federal departments and agencies develop strategic plans and set performance standards that demonstrate how well their mission-related programs are performing. The success of GPRA depends on employees at all levels of an organization understanding how their work contributes to meeting the agency's overall goals. The law intends that agencies foster this understanding by setting performance expectations for every employee that are clearly linked to the organization's strategic plan and program performance goals.

Have agencies succeeded in carrying out GPRA's mandates? Several recently reported indicators suggest they have not. The General Accounting Office recently released a report ("Managing for Results: Federal Managers' Views on Key Management Issues Vary Widely Across Agencies") noting that only half the managers they surveyed (51%) used program performance information when they set job expectations for employees. The Board's own soon-to-be released data from its Merit Principles Survey 2000 found similar experiences on a related issue: only 55% of employees surveyed report that their performance standards were clearly linked to their organizations' goals.

One might expect that if GPRA requirements and expectations are to be realized, employees would be involved in developing long range

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Extent to Which Employees Believe Work Contributes to Agency Mission (on a scale of 1 to 10)



plans in their work units. Nonetheless, only 29 percent of our survey respondents reported that they had participated in the development of such plans. Given these findings, it is perhaps not surprising that only 31 percent of employees who participated in our survey were even familiar with GPRA.

Do these results mean that agencies have failed completely to carry out GPRA's vision that employees understand how their own work contributes to meeting their agencies' overall goals? Other findings from our survey suggest that the picture may not be so bleak. When asked to rate the extent to which they believe their own work contributes to their agencies' mission, survey respondents gave an average rating of 7.69 on a 10-point scale (with 10 being "contributing to a great extent"). As depicted in the figure above, the employees also saw the work of their units as well as their organizations as contributing substantially to the agency mission.

Therefore, even though federal employees may not be as involved in the performance planning and goal setting process as they should be, they at least have some appre-

ciation for how their work fits into the grand scheme of things in terms of organizational mission and goals. Agencies should focus on strengthening this connection for employees by ensuring their involvement in the process.

The Power of Positive Feedback

Supervisors, when was the last time you told your employees that they're doing a good job or that their job matters? Research studies consistently show feedback to be one of the most powerful catalysts for productivity. It's one of the few actions managers can take that has no monetary costs and that inevitably enhances productivity. Despite its effectiveness as a motivator and performance enhancer, feedback—at least positive feedback—is not used as effectively as it might be in, the opinion of federal employees.

Based on the responses of the nearly 7,000 federal employees who completed MSPB's Merit Principles Survey 2000, we found that just over half (58 percent) of the respondents said that they receive

informal recognition from their supervisor if they perform better on their job. Slightly less than half (46 percent) said their supervisor keeps them informed about how well they are doing. These are not insignificant percentages, and suggest that many supervisors are making good use of feedback and recognition. Nevertheless, many employees feel unnoticed and underappreciated:

- Only 37 percent of the respondents indicated that they were satisfied with the recognition they received for their work.
- Lack of recognition was cited among the top 5 most important reasons employees were planning to look for another job in the coming year.
- Just 33 percent said that recognition and rewards in their work unit are based on merit.

Significant benefits can accrue to work units when supervisors make effective use of feedback. Besides being a motivator and driver towards greater employee commitment, constructive, informal feedback helps clarify expectations, corrects misperceptions, and communicates standards. It has been said that people don't do what you tell them to do, but they do what you reward them to do. Supervisors and managers need to tailor feedback to the individual employee, because feedback is useful only if the employee values it. In this regard, praise for a job well done and constructive coaching may be as effective as—if not more effective than—monetary rewards. Although 24 percent of our respondents tell us that monetary awards have value, by far their greatest motivator was personal pride and satisfaction in their work (80 percent), followed by the desire to make a contribution (54 percent). Supervisors and managers are encouraged to make use of this information and, at a minimum, ensure that they fully acknowledge and recognize their employees' positive contributions.



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Selected Publications from the Office of Policy and Evaluation*

- ☐ Competing for Federal Jobs: Job Search Experiences of New Hires
- ☐ Restoring Merit to Federal Hiring: Why Two Special Hiring Programs Should Be Ended
- ☐ The Role of Delegated Examining Units: Hiring New Employees in a Decentralized Civil Service
- ☐ Federal Supervisors and Poor Performers
- ☐ Civil Service Evaluation: the Evolving Role of the U.S. Office of Personnel Management
- ☐ Federal Supervisors and Strategic Human Resources Management
- ☐ The Changing Federal Workplace: Employee Perspectives
- ☐ Adherence to the Merit Principles in the Workplace: Federal Employees' Views
- ☐ Achieving a Representative Workforce: Addressing the Barriers to Hispanic Participation
- ☐ Fair and Equitable Treatment: A Progress Report on Minority Employment in the Federal Government
- ☐ The Rule of Three in Federal Hiring: Boon or Bane?
- ☐ Sexual Harassment in the Federal Workplace: Trends, Progress, Continuing Challenges
- ☐ Leadership for Change: Human Resource Development in the Federal Government
- ☐ Whistleblowing in the Federal Government: An Update
- ☐ A Question of Equity: Women and the Glass Ceiling in the Federal Government

Selected Current Projects

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| <input type="checkbox"/> OPM 20-year retrospective | <input type="checkbox"/> Governmentwide Merit Principles Survey 2000 |
| <input type="checkbox"/> Merit promotion | <input type="checkbox"/> Presidential Management Interns |
| <input type="checkbox"/> Selection tools used in federal hiring | <input type="checkbox"/> Alternative delivery of HR services |
| <input type="checkbox"/> The use of interviews | <input type="checkbox"/> Competence in overseeing federal contracts |

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* **Most of these reports can be downloaded from the STUDIES page of the MSPB website: mspb.gov**

"Issues of Merit" provides findings and recommendations drawn from MSPB research on topics and issues relevant to the effective operation of the federal merit systems and the significant actions of the Office of Personnel Management.